

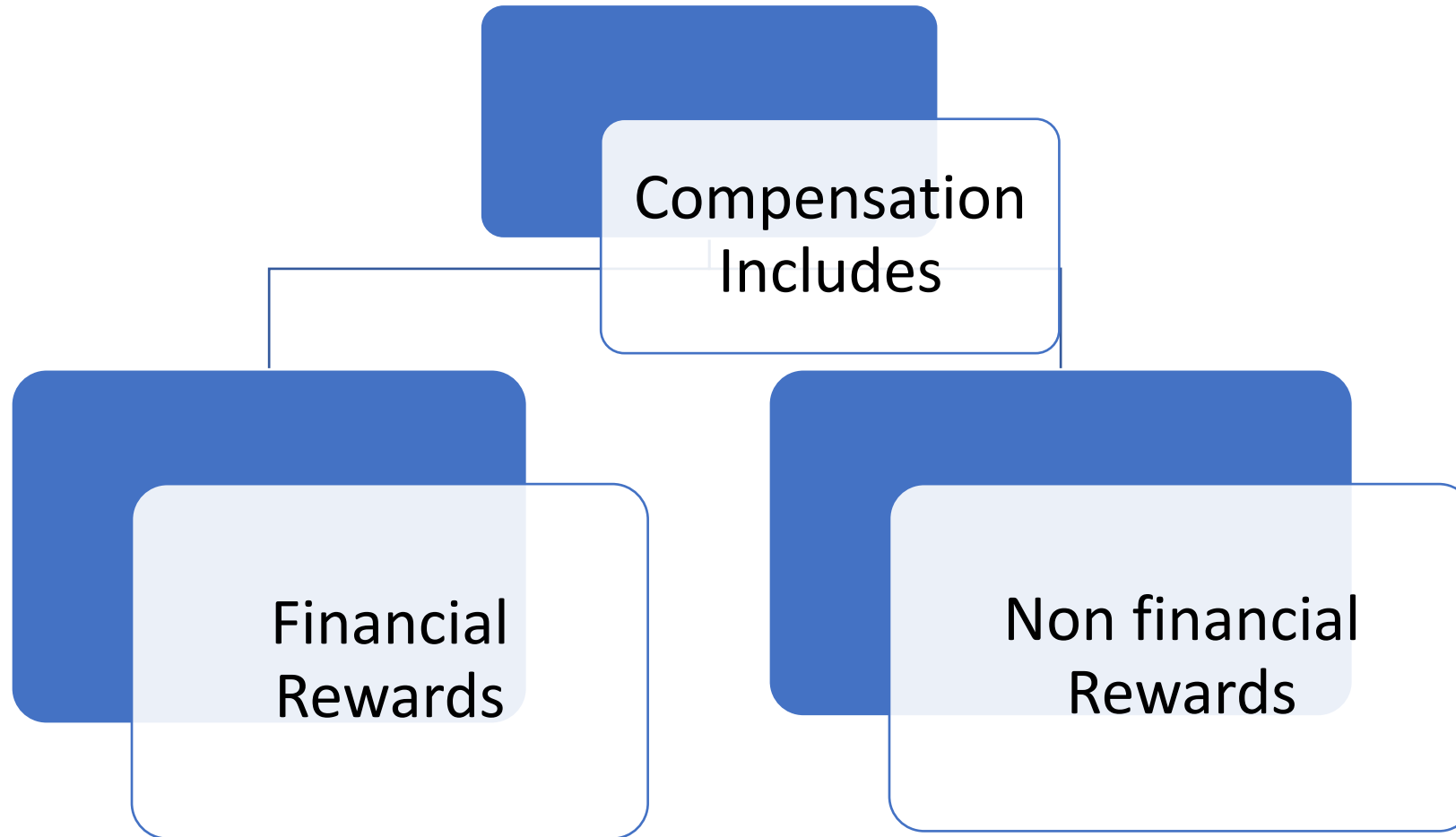
# Compensation Management: Introduction

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# Introduction

- Compensation of employees for their services is important responsibility of human resource management.
- Administration of employee compensation is called compensation management or wage & salary administration.
- It involves to wages, salaries & other forms of employee compensation.
- It includes job evaluation, wage or salary survey, rules for administration of wages, profit sharing & other incentives.
- Compensation management is a complex process which includes decisions regarding benefits & variable pay.

# Concept of Compensation



# **Components of Compensation**

- 1. Basic Wages/Salaries**
- 2. Dearness Allowance**
- 3. Incentives**
- 4. Bonus**

## **Non-Monetary Benefits**

- 5. Commissions**
- 6. Mixed Plans**
- 7. Piece Rate Wages**
- 8. Fringe Benefits**

# Types of Compensation

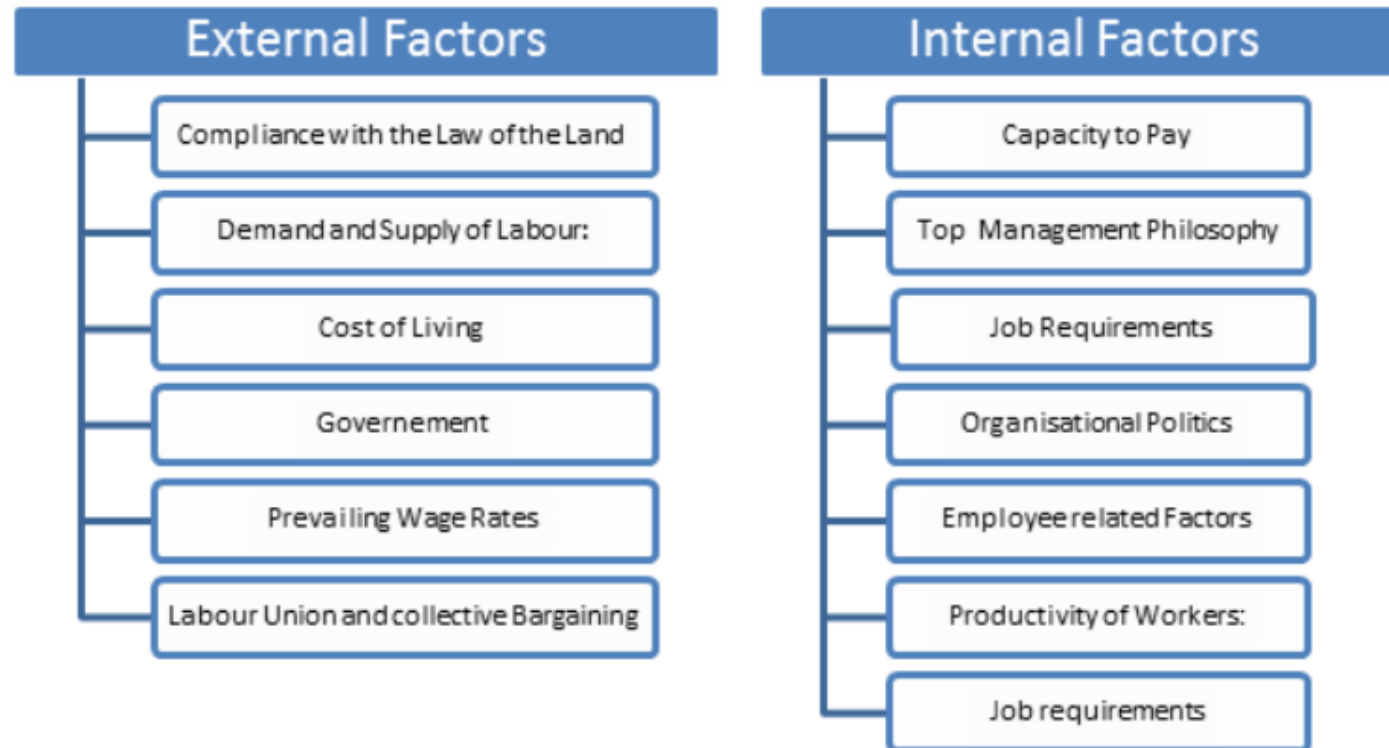
## 1. Direct /Base Compensation

- Basic Salary
- House Rent Allowance
- Conveyance
- Leave Travel Allowance
- Medical Reimbursement
- Bonus
- Special Allowance

## 2. Indirect Compensation

- Leave Policy
- Overtime Policy
- Hospitalization
- Insurance
- Leave Travel
- Retirement Benefits

# Factors considered in deciding the compensation



**Factors Considered in Deciding the Compensation**

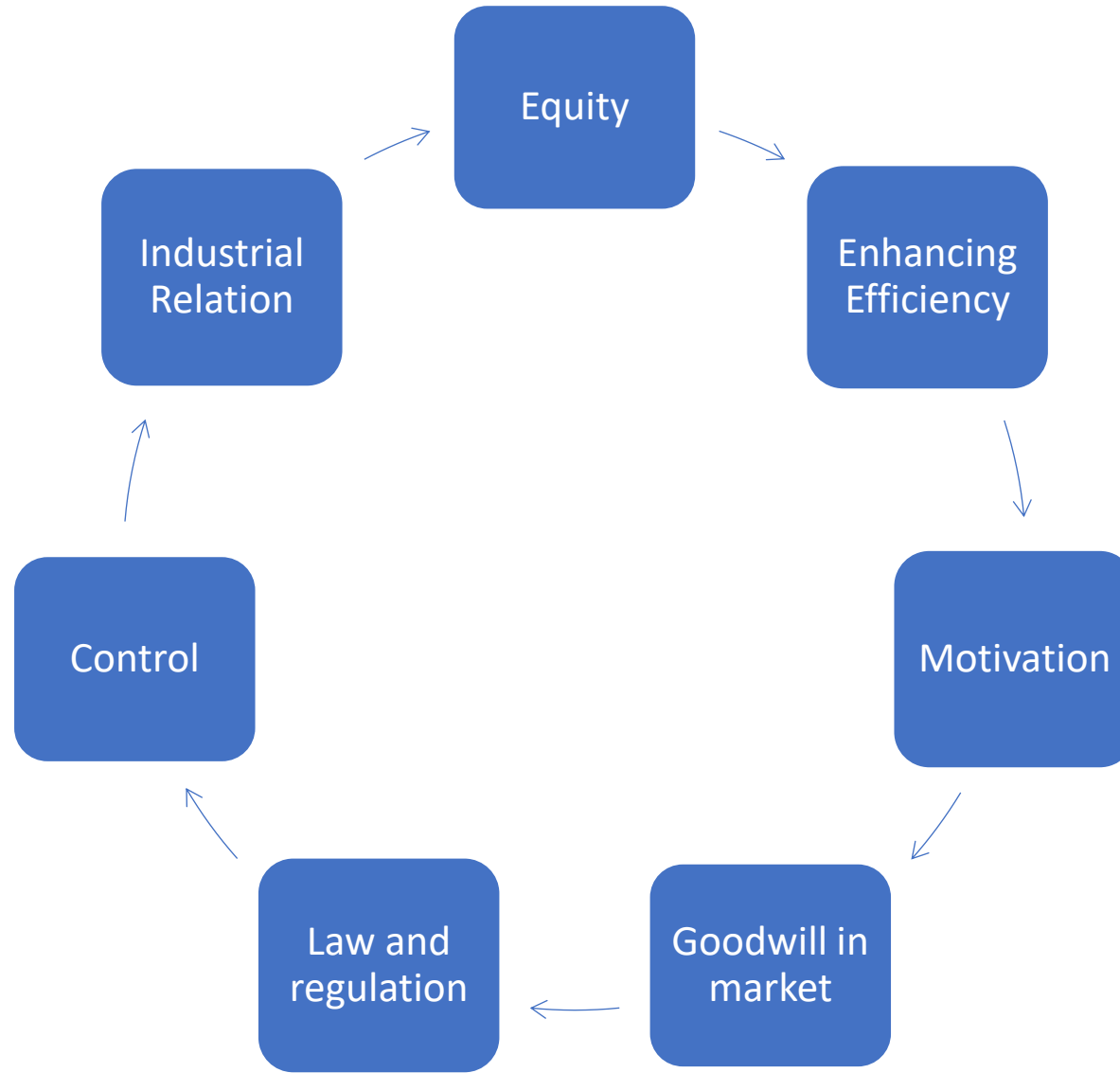
# Factors considered in deciding the compensation

- External factors
  1. Compliance with law of land
  2. Demand and supply of labour
  3. Cost of living
  4. Government
  5. Collective bargaining
  6. Prevailing wage Rates

- Internal factors
  1. Ability to pay
  2. Top management ideology
  3. Job requirement
  4. Organizational policy
  5. Employee Related factor
  6. Productivity of Workers



# Objective of Compensation Management



## **Significance of Compensation Management**

- An ideal compensation system will have positive impact on the efficiency of the employees. It will encourage the employees to perform better.
- It will enhance the process of job evaluation. It will also help in setting up an ideal job evaluation and the set standards would be more realistic and achievable.
- Such a system should be well defined and uniform. It will be applied to all the levels of the organization.
- The system should be simple and flexible so that every employee would be able to compute his own compensation receivable.
- It should be easy to implement, should not result in exploitation of workers.
- It will raise the morale, efficiency and cooperation among the workers. It, being just and fair would provide satisfaction to the workers.

# Principles of Compensation Administration

- Compensation policy should be developed by taking into consideration of the views of employers, the employees, the consumers.
- The compensation policy or wage policy should be clearly defined to ensure uniform and consistent application.
- The compensation plan should be matching with overall plans of the company.

Compensation planning should be part and parcel of financial planning

- Management should inform the wage/salary related policies to their employees.
- Workers should be associated in formulation and implementation of wage policy

- All wage and salary related decisions should be checked against the standards set in advance in the wage/salary policy